



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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October 17, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **DEPARTMENT OF HEALTH SERVICES – HIGH DESERT HEALTH
SYSTEM PAYROLL/PERSONNEL REVIEW**

In 2007, based on issues noted in our review of payroll/personnel in one County department, your Board instructed the Auditor-Controller to develop a risk-based plan to audit payroll/personnel operations in all County departments. In accordance with the developed plan, we completed a review of the Department of Health Services' (DHS) High Desert Health System's (High Desert) compliance with County payroll and personnel policies, and their use of the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS). Our review covered areas such as overtime controls, recording time and attendance, leave accounting, and warrant distribution.

DHS Human Resources (DHS HR) handles most payroll/personnel functions (e.g., entering data into CWTAPPS, monitoring leave accounting, processing terminations, etc.) for DHS facilities. Each facility, including High Desert, is responsible for certain payroll/personnel functions, such as maintaining documents related to employees' leaves of absence, monitoring overtime usage, approving time cards, etc.

In our payroll/personnel reviews of other DHS facilities, we previously reported on the payroll/personnel functions performed centrally by DHS HR. This review focused primarily on the payroll/personnel functions performed by High Desert. The recommendations in this report are directed to High Desert management, unless specifically addressed to DHS HR.

Summary of Findings

We noted that High Desert and DHS HR maintain sufficient control over jury duty leave, and appropriately conduct annual payroll distribution payoffs, as required by the County Fiscal Manual. However, High Desert and DHS HR need to strengthen their controls over other areas of payroll/personnel operations, and their use of CWTAPPS. The following are examples of areas for improvement:

- High Desert needs to ensure supervisors properly review employee time cards for accuracy. We compared ten time cards to the employees' clock in/out time sheets, which employees use to record when they start/end their shifts, and noted discrepancies on five (50%) time cards. Employees claimed more and/or less time than recorded on the clock in/out sheets, resulting in immaterial overpayments and underpayments.

DHS' attached response indicates that they have taken corrective action by reissuing their Time Reporting policy to High Desert's executive staff, management, and supervisors. The policy states that supervisors will be held accountable for verifying the time collection data submitted by their subordinates. In addition, High Desert's management discussed the importance of managers comparing employees' clock in/out time sheets to the hours posted on the eCAPS timesheets at their June 14th executive staff and management meeting.

- High Desert needs to ensure that overtime is properly approved. We reviewed 30 time cards, and noted that the non-emergency overtime hours claimed on ten (33%) time cards was not pre-approved, and that the emergency overtime hours claimed on three (10%) time cards was approved an average of 63 days after the overtime was worked.

DHS' attached response indicates that they have taken corrective action by reissuing their Overtime policy to High Desert's executive staff, management, and supervisors. The policy indicates that overtime must be requested and authorized in writing, and verified when completed. In addition, at the June 14th executive staff and management meeting, High Desert reemphasized the importance of ensuring that they properly approve all overtime.

- DHS HR needs to ensure that donated leave is used properly. Three (27%) of the 11 employees reviewed were incorrectly allowed to use donated leave before exhausting all of their own leave benefits, resulting in potential immaterial overpayments and incorrect leave balances.

DHS' attached response indicates that they have taken corrective action by developing a Leave Donation Log and written procedures to remind payroll staff how to properly process leave donations. In addition, DHS HR will train High Desert

timekeepers/proxies on how to view an employee's available leave balances on the County's online eCAPS eHR Time Collection system, and properly code timesheets for employees on extended leave.

- High Desert needs to ensure employees do not receive standby pay while on leave. We noted that one (20%) of the five employees reviewed inappropriately received standby pay while attending an out-of-State funeral, resulting in an immaterial overpayment.

DHS' attached response indicates that they have taken corrective action by discussing the importance of not allowing employees to receive standby pay while on leave, at High Desert's June 14th executive staff and management meeting.

- DHS HR needs to ensure that designated staff and supervisors document their review of eCAPS exception reports, and that exceptions are resolved timely. Four (67%) of the six reports we examined were reviewed an average of 37 days late. In addition, the reviewer and supervisor did not sign and date the two remaining reports. As a result, we were unable to verify whether the reports were reviewed timely.

DHS' attached response indicates that they have taken corrective action by developing and issuing procedures to the appropriate staff to ensure that they review eCAPS exception reports, and resolve the exceptions timely.

As noted above, our review identified possible minor overpayments, underpayments, and incorrect leave balances. County policies do not specify when employees are required to repay overpayments because the facts of each overpayment are unique. DHS HR should research the individual cases in this report, and work with the Department of Human Resources, Auditor-Controller Countywide Payroll Division, and County Counsel to recover any confirmed overpayments, correct underpayments, and/or adjust employee leave benefit balances.

Details of these and other findings and recommendations are included in Attachment I.

Review of Report

We discussed our report with DHS HR and High Desert management, and provided them with specific details of the over/under payments. DHS' response (Attachment II) indicates agreement with our findings and recommendations, and that they have either implemented, or have started implementing, the recommendations.

We thank DHS HR and High Desert management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

Board of Supervisors
October 17, 2011
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WLW:JLS:RGC:MWM

Attachments

c: William T Fujioka, Chief Executive Officer
Mitchell H. Katz, M.D., Director, Department of Health Services
Beryl R. Brooks, Chief Executive Officer, High Desert Health System
Audit Committee
Public Information Office

**DEPARTMENT OF HEALTH SERVICES
HIGH DESERT HEALTH SYSTEM
PAYROLL/PERSONNEL REVIEW**

Background

The Department of Health Services' (DHS) High Desert Health System (High Desert) has approximately 500 employees, and includes the High Desert Multi-Service Ambulatory Care Center (MACC), two health centers, and two community clinics.. DHS Human Resources (DHS HR) performs most payroll functions (e.g., entering data into the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS), monitoring leave accounting, processing terminations, etc.) for all DHS facilities. Each facility, including High Desert, is responsible for other payroll functions, such as maintaining documents related to employees' leave of absence, monitoring overtime usage, approving time cards, etc.

High Desert uses the County's online accounting and purchasing system (eCAPS) eHR Time Collection system to input and electronically submit employees' time. Managers at each pay location review paper time cards for accuracy, and approve them before they are sent to unit timekeepers (proxies) who input and submit the time information into eCAPS. The electronic time records are then interfaced with CWTAPPS for processing. DHS HR uses CWTAPPS to process personnel actions, such as hires/terminations, and maintain personnel data, including hire dates, social security numbers, and County job history. CWTAPPS also maintains employee leave balances and industrial accident information.

Scope

We reviewed High Desert's compliance with County payroll and personnel processing policies, including compliance with the County Fiscal Manual (CFM). Our review included staff interviews, and tests of overtime usage and controls, employee time records, warrant distribution, leave of absence records, and eCAPS exception reports. We did not review payroll/personnel functions performed centrally by DHS HR, since we have reviewed them in our previous payroll/personnel reviews. Our review focused primarily on the functions performed by High Desert.

COMMENTS AND RECOMMENDATIONS

Payroll Exceptions

Our review disclosed errors, such as incorrect time cards, CWTAPPS input errors, and misapplication of County payroll rules and regulations. In some instances, these errors resulted in possible minor overpayments, underpayments, and incorrect leave balances.

County policies do not specify when employees are required to repay overpayments because the facts of each overpayment are unique. DHS HR and High Desert management should research the individual cases noted in this report, and work with

the Department of Human Resources (DHR), Auditor-Controller's (A-C) Countywide Payroll Division and County Counsel to recover any confirmed overpayments, correct underpayments, and/or adjust employee leave benefit balances.

Recommendation

- 1. DHS HR and High Desert management research the exceptions identified throughout this report, and work with DHR, A-C Countywide Payroll Division, and County Counsel to recover any confirmed overpayments, correct underpayments, and/or adjust employee leave benefit balances.**

Time and Attendance

Time Card Processing

CFM Section 3.1.6 requires supervisors to verify the hours recorded on employees' time cards. We compared a sample of ten time cards for five employees to the employees' clock in/out time sheets, which employees use to record when they start/end their shifts, to ensure the validity of hours reported on the time cards. We noted discrepancies on five (50%) of the ten time cards, with employees reporting more and/or less time worked on their time cards than recorded in the in/out time sheets. These discrepancies resulted in immaterial overpayments and underpayments. We also noted that High Desert does not consistently follow DHS' standardized method of rounding hours up to the nearest quarter hour, when calculating total hours worked each day. For example, if an employee starts his/her shift late, some High Desert units will round the employee's total hours worked up, while other High Desert units round the employee's time down. High Desert should consistently follow DHS' standardized method of rounding employees' time up, to ensure all employees are treated equitably.

Recommendations

High Desert management:

- 2. Ensure supervisors properly review employee time cards for accuracy.**
- 3. Ensure staff and supervisors consistently follow DHS' standardized method of rounding total hours worked each day up to the nearest quarter hour.**

Payroll Distribution

CFM Section 3.1.12 indicates that Payroll staff should never be directly involved in handling warrants and notices of direct deposit. In addition, someone with no payroll/personnel responsibilities should investigate unclaimed warrants.

We noted that High Desert Payroll staff receive, sort, and distribute payroll warrants and notices of direct deposit to designated staff for distribution to the actual employee. In addition, while unclaimed warrants/notices of direct deposit are sent to High Desert's Accounting Section for investigation, if the investigation is not resolved by the next pay period, the unclaimed warrants/notices of direct deposit are inappropriately returned to High Desert's Payroll Section.

Recommendations

DHS HR:

- 4. Ensure staff with no payroll/personnel responsibilities receive, sort, and distribute payroll warrants and notices of direct deposit.**
- 5. Ensure unclaimed warrants and notices of direct deposit are not returned to the Payroll Section.**

Overtime Controls

County and DHS policies require non-emergency overtime to be approved in advance. Emergency overtime should be approved immediately after the overtime is worked. We reviewed 30 time cards and overtime authorizations for 15 employees who worked emergency and non-emergency overtime in 2010, and noted that non-emergency overtime hours claimed on ten (33%) time cards were not pre-approved. In addition, emergency overtime hours claimed on three (10%) time cards were approved an average of 63 days after the overtime was worked.

Recommendation

- 6. High Desert management ensure all overtime is properly approved.**

Leave Accounting

Leave Donation Processing

County Interpretive Manual Section 1.2.B.1 requires employees to exhaust all full-pay and part-pay leave before using leave donations. We reviewed leave donation documents and CWTAPPS records for 11 employees who donated and/or received donated leave from January 2008 to March 2010. We noted that three (27%) employees were incorrectly allowed to use donated leave before exhausting all of their leave time, resulting in potential immaterial overpayments and incorrect leave balances.

In addition, CFM Section 3.1.3 requires department management to review the CWTAPPS Leave Balance Audit Trail Report to verify the accuracy of any manual adjustments made to leave balances (e.g., crediting/deducting leave hours because of a donation, etc.). However, we noted that the same individual who adjusts leave

balances at High Desert also reviews the Leave Balance Audit Trail Report. These functions need to be segregated to ensure the integrity of the review process.

We also noted that DHS HR and High Desert did not keep a list of employees donating and receiving leave time. A list of leave donors and recipients can help monitor leave donations to ensure leave balances are accurate. After our review, DHS HR and High Desert developed and implemented a leave donation log.

Recommendations

DHS HR:

- 7. Ensure donated leave time is used properly.**
- 8. Ensure that the duties of adjusting leave balances and reviewing the Leave Balance Audit Trail Report are properly segregated.**
- 9. Continue to maintain a list of employees donating and receiving leave, and monitor leave donations to ensure employees' benefit balances are accurate.**

Bereavement Leave

County Code Section 6.20.08 allows full-time permanent employees who are absent from work because of the death of a qualifying relative to use up to three days of paid bereavement leave, or five days if the employee is required to travel more than 500 miles. County Code Section 6.10.120 allows standby bonuses to be paid to employees who are assigned to be available when they are not scheduled to be at work. We reviewed a sample of five employees who used bereavement leave in calendar year 2009, and noted that one (20%) employee inappropriately received standby pay while attending an out-of-State funeral. Since the employee was out of State, and was only reachable by phone, the employee was not physically available for work, and, therefore, should not have received standby pay, resulting in an immaterial overpayment.

Recommendation

- 10. High Desert management ensure employees do not receive standby pay while on bereavement leave.**

eCAPS Exception Reports

CFM Section 3.1.7 requires Payroll staff to generate, review, and document the disposition of each entry in the following three eCAPS Time Collection Exception Reports each pay period, and immediately process any necessary adjustments.

- Single Approver Report

- Audit Trail Report
- Missing Timesheet Report

Staff should sign and date the reports to indicate their review of the reports. In addition, the supervisor should review, sign, and date the Missing Timesheet Report. DHS HR assigned the responsibility for reviewing the Single Approver and Audit Trail Reports to the Department's internal eCAPS Time Collection Team. We reviewed the three exception reports for May 2010 (six reports total), and noted that staff did not review four Single Approver and Audit Trail Reports in a timely manner. The reports were reviewed an average of 37 days late. In addition, the reviewer and supervisor did not sign and date two Missing Timesheet Reports. As a result, we were unable to verify whether the reports were reviewed in a timely manner.

Recommendation

- 11. DHS HR ensure that staff and supervisors document their review of eCAPS exception reports and exceptions are resolved timely.**



July 26, 2011

Los Angeles County
Board of Supervisors

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

TO: Wendy L. Watanabe
Auditor-Controller

FROM: Mitchell H. Katz, M.D.
Director

SUBJECT: **RESPONSE TO AUDITOR-CONTROLLER'S
PAYROLL/PERSONNEL REVIEW AT HIGH DESERT
HEALTH SYSTEM**

Mitchell H. Katz, M.D.
Director

Hal F. Yee, Jr., M.D., Ph.D.
Chief Medical Officer

John F. Schunhoff, Ph.D.
Chief Deputy Director

Attached is the Department of Health Services' response to the recommendations made in the Auditor-Controller's report of its review of Payroll/Personnel at High Desert Health System. We concur with and have taken or initiated corrective actions to address the recommendations contained in the report.

If you have any questions or require additional information, please let me know or you may contact Jennifer Papp at (213) 240-7901.

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MHK:eg

Attachment

c: John F. Schunhoff, Ph.D.
Gregory Polk
Beryl Brooks
Jennifer Papp

*To ensure access to high-quality,
patient-centered, cost-effective
health care to Los Angeles County
residents through direct services at
DHS facilities and through
collaboration with community and
university partners.*



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COUNTY OF LOS ANGELES – DEPARTMENT OF HEALTH SERVICES

**RESPONSE TO AUDITOR-CONTROLLER PAYROLL/PERSONNEL REVIEW
HIGH DESERT HEALTH SYSTEM**

AUDITOR-CONTROLLER RECOMMENDATION #1

DHS and High Desert management research the exceptions identified throughout this report, and work with DHS, A-C Countywide Payroll Division and County Counsel to recover any confirmed overpayments, correct underpayments and/or adjust leave benefit balances.

DHS response:

We agree and have implemented this recommendation. As of November 30, 2010, DHS HR has corrected the exceptions identified in this report by reviewing each exception and adjusting leave balances accordingly. There were no confirmed overpayments. Identified underpayments were corrected by adjustments made to leave balances that the employee was eligible to accrue.

AUDITOR-CONTROLLER RECOMMENDATION #2

High Desert management ensure supervisors properly review employee time cards for accuracy.

DHS response:

We agree and have implemented this recommendation. On June 14, 2011, as part of the executive staff and management meeting, DHS Policy No. 610 on Time Reporting was reissued to High Desert executive staff, management staff and supervisors. The policy states that each supervisor shall be held accountable for verifying the time collection data submitted by his/her subordinates for accuracy and completeness. The importance of ensuring that managers compare the information included on the punch cards to hours posted on the eCAPS timesheets was also discussed at the meeting.

AUDITOR-CONTROLLER RECOMMENDATION #3

High Desert management ensure staff and supervisors consistently follow DHS' standardized method of rounding total hours worked each day up to the nearest quarter hour.

DHS response:

We agree and have implemented this recommendation. On June 14, 2011, as part of the executive staff and management meeting, DHS Policy No. 610 was reissued to High Desert executive staff, management staff and supervisors. The policy states that each employee shall accurately and timely record time worked and time absent from work in increments of no less than ¼ hour was discussed along with the importance of following the DHS standardized method of rounding total hours worked each day up to the nearest quarter hour. Additionally, on August 16, 2011, High Desert managers this concept will be reinforced again during the mandatory Countywide Fair Labor Standards Act training.

AUDITOR-CONTROLLER RECOMMENDATION #4

DHS HR ensure staff with no payroll/personnel responsibilities receive, sort and distribute payroll warrants and notices of direct deposit.

DHS response:

We agree. DHS is exploring options for implementing the recommendation that Payroll/Personnel should have no involvement in the receipt, sorting, distribution, or other handling of payroll warrants and notices of direct deposit. The Department-wide elimination of paper pay statements effective with the May 30, 2011 pay day, has dramatically decreased the number of payroll warrants and notices of direct deposit that must be retrieved (received), sorted and distributed. DHS is working to identify a solution that addresses the coordination required each pay period to further mitigate this issue and fully implement this recommendation.

AUDITOR-CONTROLLER RECOMMENDATION #5

DHS HR ensure unclaimed warrants and notices of direct deposit are not returned to the Payroll Section.

DHS response:

We agree. With the elimination of paper pay statements with the May 30, 2011, pay day, High Desert will no longer receive notices of direct deposit. DHS is exploring options for implementing the recommendation that unclaimed warrants are not returned to payroll and are investigated independent of Payroll/Personnel staff.

AUDITOR-CONTROLLER RECOMMENDATION #6

High Desert management ensure all overtime is properly and timely approved.

DHS response:

We agree and implemented this recommendation. On June 14, 2011, as part of the executive staff and management meeting, DHS Policy No. 753 on Overtime was reissued to High Desert executive staff, management staff and supervisors. DHS Policy No. 753, states that overtime must be requested and authorized in writing and verified when completed at the end of the overtime and the importance of ensuring that all overtime is properly and timely approved was discussed.

AUDITOR-CONTROLLER RECOMMENDATION #7

DHS HR ensure donated leave is used properly.

DHS response:

We agree and have implemented this recommendation. Effective October 1, 2010, a Leave Donation Log and written procedures were developed to remind payroll staff of correct leave donation processing. Additionally, by September 30, 2011, DHS HR is planning on providing a training session for High Desert timekeepers/proxies that will include how to view an employee's available balances and properly code a timesheet for employees out on extended leave.

AUDITOR-CONTROLLER RECOMMENDATION #8

DHS HR ensure that the duties of adjusting leave balances and reviewing the Leave Balance Audit Trail Report are properly segregated.

DHS response:

We agree and have implemented this recommendation. Effective October 1, 2010, DHS HR segregated the duties and responsibilities associated with the Leave Balance Audit Trail Report. High Desert Payroll staff reviews the Leave Balance Audit Trail Report and adjusts leave balances as necessary, the supervisor then reviews the Report and all adjusted entries.

AUDITOR-CONTROLLER RECOMMENDATION #9

DHS HR continue to maintain a list of employees donating and receiving leave, and monitor leave donations to ensure employees' benefit balances are accurate.

DHS response:

We agree and have implemented this recommendation. Effective October 1, 2010, DHS HR began monitoring benefit balances for employees donating and receiving time using the Leave Donation Log. DHS HR staff refers to this tracking tool when monitoring leave donations to ensure an employee's benefit balances remain accurate. Entries on the Leave Donation Log are then compared to the CWTAPPS Leave Balance Audit Trail Report and cross-referenced to supporting leave donation letters.

AUDITOR-CONTROLLER RECOMMENDATION #10

High Desert management ensure employees do not receive standby pay while on bereavement leave.

DHS response:

We agree and have implemented this recommendation. On June 14, 2011, as part of the executive staff and management meeting, this matter was discussed with High Desert executive staff, management staff and supervisors.

AUDITOR-CONTROLLER RECOMMENDATION #11

DHS HR ensure that staff and supervisors document their review of eCAPS exception reports and exceptions are resolved timely.

DHS response:

We agree and have implemented this recommendation. Effective December 15, 2010, internal processing procedures were developed and issued to appropriate staff. The procedures outline the steps necessary to make sure the eCAPS exception reports are reviewed to ensure compliance with the eCAPS Time Collection Internal Control Plan. The internal procedures indicate that staff review the reports and resolve exceptions after CWTAPPS closes for the current pay period. The supervisor reviews the reports and the resolutions in a timely manner and documents by signing and dating the reports.